

**PRECEDENT AGREEMENT  
FOR FIRM TRANSPORTATION OF NATURAL GAS**

This Precedent Agreement is made as of the 19th day of January, 2000,

**BETWEEN:**

**HORIZON PIPELINE COMPANY, L.L.C.**  
("Horizon")

- and -

**Northern Illinois Gas Company, dba Nicor Gas**  
("Shipper")

**RECITALS**

**WHEREAS** Horizon is developing and proposes to construct, own, and operate a new interstate natural gas pipeline (which will include the lease of capacity) extending from points of interconnection with the facilities of Natural Gas Pipeline Company of America ("NGPL") and other companies near Joliet, Illinois to various points of interconnection with an interstate pipeline and a local distribution company in northern Illinois (the "Horizon Pipeline"); and

**WHEREAS** Horizon is willing to continue its efforts to develop the Horizon Pipeline and to proceed with obtaining all of the necessary governmental authorizations to construct the Horizon Pipeline, provided that Shipper commits to contract for firm transportation service under the terms of this Precedent Agreement; and

**WHEREAS** this Precedent Agreement has been executed as evidence of an agreement between Horizon and Shipper that, upon satisfaction of the conditions precedent set forth below, the parties will enter into a Firm Transportation Service Agreement as further described below providing for firm transportation service on the Horizon Pipeline for Shipper; and

**WHEREAS** the Horizon Pipeline will be a large diameter, high pressure pipeline with: (a) receipt points planned at interconnections near Joliet, Illinois with Alliance Pipeline, NGPL, Nicor Gas, ANR and, potentially, Northern Border Pipeline; (b) a total estimated design capacity of approximately 380,000 Dth/d; (c) delivery points planned at interconnections in McHenry County, Illinois with Nicor Gas and NGPL, with a termination point at NGPL's Illinois Lateral in McHenry County, Illinois; (d) an estimated installed cost (subject to change) of \$76 million, exclusive of AFUDC; and (e) a projected in-service date of April 1, 2002;

**WHEREAS** Horizon Pipeline will continue discussions with interested shippers desiring Illinois or Wisconsin delivery points, such that Horizon Pipeline may expand or extend to Wisconsin its initial facilities (following a new open season) to serve future loads with an in-service date later than the one projected above.

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements contained in this Precedent Agreement, and intending to be legally bound, Horizon and Shipper agree as follows:

**1. Effective Date and Term**

This Precedent Agreement shall become effective on the date of its execution and delivery by both parties and shall remain in full force and effect until the earlier of: (a) the commencement of service under the Firm Transportation Service Agreement; or (b) the date on which either Shipper or Horizon exercises its termination rights pursuant to this Precedent Agreement.

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**2. Obligations to Seek Regulatory Authorizations**

- (a) Subject to the terms and conditions of this Precedent Agreement, Horizon shall apply for and seek with due diligence to obtain all regulatory authorizations it deems necessary or advisable: (i) to construct, own, and operate (or cause to be constructed and operated) the Horizon Pipeline facilities and to render the transportation services contemplated in this Precedent Agreement; and (ii) to perform Horizon's obligations as contemplated in this Precedent Agreement and other substantially similar precedent agreements with shippers for transportation on the Horizon Pipeline. Shipper agrees to support and cooperate with Horizon in its effort to obtain all such authorizations, but Shipper shall be obligated to spend no more than twenty-five thousand dollars (\$25,000) to provide this support; provided, Shipper shall have the right to comment on all tariff issues.
- (b) Subject to the terms and conditions of this Precedent Agreement, Shipper agrees to apply for and will seek with due diligence to obtain all regulatory authorizations it deems necessary or desirable for it to utilize the transportation service described herein. Horizon agrees to support and cooperate with Shipper in its effort to obtain all such authorizations.

**3. Construction of Facilities**

- (a) Upon satisfaction of the conditions precedent set forth in Section 6 hereof or waiver of the same by Horizon, Horizon shall proceed with due diligence to construct the Horizon Pipeline facilities necessary to implement the firm transportation service contemplated in this Precedent Agreement. If, notwithstanding Horizon's due diligence, Horizon is unable to commence the transportation service as contemplated hereunder by April 1, 2002, Horizon will proceed with due diligence to commence the transportation service for Shipper at the earliest practicable date thereafter.
- (b) With respect to the initial winter heating season in which the Horizon Pipeline is in service, which shall commence on November 1 of the first year of service under the Firm Transportation Service Agreement and end on March 31 of the following year, Horizon shall notify Shipper as soon as possible, but in no event later than September 15, whether Horizon can commence firm transportation service to Shipper on November 1. If service for such winter heating season will not commence (for reasons other than Shipper's failure to make available for service interconnecting facilities for which it is responsible) until after November 1 but will commence prior to the following March 31, and, as a result Shipper has newly contracted for replacement service or extended existing service, Shipper may, by written notice (including reasonable supporting documentation) to Horizon within thirty (30) days of Horizon's notice, defer the Commencement Date for all or a portion of its MDQ until the following April 1 (or any earlier date agreed to by the parties). With respect to any deferred portion of its MDQ, Shipper shall not be charged any rates by Horizon during the deferral period and the term of the Firm Transportation Service Agreement shall not commence until the following April 1 (or any earlier date agreed to by the parties) and shall run therefrom for the full term of years specified in Section 5(b) hereof. During the deferral period, Shipper will have no right to the levels of service for which Shipper has requested the deferral. To the extent Shipper elects a deferral with respect to only a portion of its MDQ, the parties acknowledge that it may be necessary to execute two Firm Transportation Service Agreements, both of which shall be governed by the terms of this Precedent Agreement.

**4. Agreement to Execute Firm Transportation Service Agreement**

- (a) Within twenty-five (25) days after the Federal Energy Regulatory Commission ("FERC") issues an order authorizing the construction and operation of the Horizon Pipeline facilities on terms not materially and adversely different from this Precedent Agreement and the draft tariff provided to Shipper, Shipper and Horizon shall execute a Firm Transportation Service Agreement under which Horizon shall provide firm gas transportation service to Shipper in accordance with the FERC Gas Tariff applicable to the Horizon Pipeline and the terms of this Precedent Agreement. At that same time, Shipper shall notify Horizon, in writing, whether it elects to pay, throughout the term of such Firm Transportation Agreement, the negotiated rates set forth herein or Horizon's recourse rates, as initially approved by the FERC and as they are in effect from time to time. Nothing herein shall

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limit Shipper's rights to refunds if it is charged Horizon's recourse cost-of-service rates and those rates are in effect subject to refund.

- (b) Without limiting Shipper's rights in Section 8(b) hereunder, if Horizon expands its capacity by a cumulative total of 100,000 Dth/d or more beyond the initial estimated design capacity of 380,000 Dth/d or extends its system into the state of Wisconsin during the Firm Transportation Service Agreement, Shipper shall have the right up to the in-service date of such expansion or extension to elect to pay through the remaining term of the Firm Transportation Service Agreement the negotiated rates set forth herein or Horizon's maximum recourse cost-of-service recourse rates for firm transportation service, as set forth in the FERC Gas Tariff applicable to Horizon Pipeline from time to time. Nothing herein shall limit Shipper's rights to refunds if it is charged Horizon's recourse cost-of-service rates and those rates are in effect subject to refund.
- (c) Although the parties are under no obligation to do so, nothing herein shall preclude Horizon and Shipper from entering into a Firm Transportation Service Agreement prior to the date provided for in Section 4(a) above.

**5. Firm Service Obligation and Transportation Service Agreement**

- (a) Subject to Section 3 hereof, service under the Firm Transportation Service Agreement will commence on the later of: (i) April 1, 2002; (ii) the date the Horizon Pipeline facilities are available for gas transportation service; or (iii) the date by which all of the conditions precedent set forth in Sections 6 and 7 hereof have been satisfied or waived by the party for whom the condition was imposed (the "Commencement Date"). Horizon shall provide Shipper with at least ten (10) days notice of the commencement of service.
- (b) Service under the Firm Transportation Service Agreement shall be for an initial term of ten (10) years commencing on the Commencement Date; provided, if service initially commences on a date between December 1 and March 31 (for reasons other than Shipper's failure to make available for service interconnecting facilities for which it is responsible), Shipper shall have the right, at its sole discretion, to elect an initial term which ends on the March 31 immediately following the ten (10) year term selected above which starts on the Commencement Date.
- (c) Shipper shall have the right, exercisable upon written notice to Horizon no later than eighteen (18) months prior to the expiration of the initial term or any subsequent extended term, to renew all or any portion of the Firm Transportation Service Agreement for a further three (3) year term from the expiration date at, absent a written agreement by both parties, the maximum recourse rates for firm transportation service set forth from time to time in the FERC Gas Tariff applicable to the Horizon Pipeline; provided, with respect to the first extended term only, upon written notice to Horizon provided no later than six (6) months prior to the first day of such first extended term, Shipper shall have the right to elect whether, for the full period of such first extended term, to pay a rate equal to either (i) the negotiated rates charged Shipper during the initial term, or (ii) the maximum cost-of-service recourse rates for firm transportation service, as set forth in the FERC Gas Tariff applicable to the Horizon Pipeline from time to time. Nothing herein shall limit Shipper's rights to refunds if it is charged Horizon's recourse cost-of-service rates and those rates are in effect subject to refund.
- (d) Horizon shall seek to include the following language in its FERC Gas Tariff, as part of the General Terms and Conditions relating to system expansion: "Horizon shall solicit existing customers for Turnback Capacity to serve an expansion or extension request; provided, however, that solicitation of Turnback Capacity will only occur in instances where redundant construction could be avoided through the use of Turnback Capacity and that Horizon is not required to accept any Turnback Capacity that would generate less revenue, including any consideration voluntarily offered by customers." Assuming the effectiveness of such language as part of its Tariff, Horizon agrees not to seek to change such language during the initial term of the Firm Transportation Services Agreement executed pursuant to this Precedent Agreement.

- (e) Service under the Firm Transportation Service Agreement shall be from the primary receipt point(s) and to the primary delivery point(s) identified on Appendix A to this Precedent Agreement. Shipper shall have the right to change its primary points to, and to use as secondary points, all points within the zones traversed by its primary path (including future interconnects) without loss of any negotiated rate agreed to hereunder, which points, subject to the availability of capacity, may be designated by Shipper as either primary or secondary points; provided, Shipper acknowledges that Horizon's FERC Gas Tariff shall govern the scheduling priority of secondary points, which priority may distinguish between secondary points within and extending beyond its primary path; provided, further, recognizing that flexibility of points is a key element of consideration for Shipper, during the initial term of the Firm Transportation Service Agreement executed pursuant to this Precedent Agreement, Horizon agrees not to seek tariff changes under which (a) the scheduling of service at secondary points would be based on the rates paid by Shipper, and (b) subject to the availability of capacity, Shipper would not be able to change primary points (including any future interconnects constructed between Horizon and other entities) within the zones traversed by its primary path without any impact on its rates and in accordance with the applicable provisions of Horizon's FERC Gas Tariff.
- (f) Absent the written agreement of the parties, in no event shall any negotiated rate which is less than the recourse rate apply to overrun quantities. In the event that, on any day, Shipper segments a portion of its capacity (whether as a result of capacity release or otherwise), then with respect to such segmented capacity, Shipper shall pay on such day the higher of its negotiated rate hereunder or Horizon's then effective maximum recourse rate; provided, for purposes of clarity, the total MDQ of the segmented capacity as to which such adjusted charge is applied shall not be increased as a result of the segmentation; provided, further, that Shipper shall not segment its capacity in a manner which creates overlapping segments on Horizon.
- (g) During the initial term of the Firm Transportation Service Agreement, Shipper shall pay the rates for forward haul transportation as identified on Appendix A to this Precedent Agreement (unless different rates are mutually agreed to by the parties in writing). Shipper shall have a one-time right, as described herein in Section 4(a), to elect to pay Horizon's recourse rates for service for the initial term of the Firm Transportation Service Agreement.
- (h) To the extent that Horizon is not able to provide at least 95% of the service levels nominated within Shipper's MDQ by Shipper at its primary points during the period of November 1 through March 31, Shipper shall not be liable for charges for those volumes, up to 95% of its MDQ, which it nominated but which Horizon was not able to provide; provided, if Horizon's inability to provide service was the result of a properly noticed event of force majeure, the abatement of Shipper's rates shall not begin until the earlier of (a) ten (10) days after the commencement of the interruption of service caused by the event of force majeure, and (b) the date on which such event of force majeure should have been cured by Horizon, using its reasonable efforts; provided, further, that Shipper shall not be entitled to rate abatement if the event of force majeure impacting Horizon's ability to provide service has occurred with respect to facilities owned by parties other than Horizon.
- (i) In addition, Shipper shall be responsible for applicable fuel use and gas lost and unaccounted for (which is currently estimated at 0.40%); provided, (1) in the event Horizon expands its capacity at any time in the future, then for any period when Shipper is paying Horizon the negotiated rate, such rate shall be reduced by an amount per Dth equal to Chicago Gas Daily Large Industrial midpoint index price times the post-expansion fuel rate minus 0.80% or (2) in the event Horizon extends its system at any time in the future, then for any period when Shipper is paying Horizon the negotiated rate, such rate shall be reduced by an amount per Dth equal to Chicago Gas Daily Large Industrial midpoint index price times the post-extension fuel rate minus 1.4%. However, in no event shall Shipper receive a rate reduction with respect to volumes transported to secondary points in a zone outside of the primary path.
- (j) To the extent Shipper is paying a negotiated rate, Shipper shall not be liable for any rate charges, surcharges, exit fees or other costs beyond the rates explicitly set forth herein, including any surcharges which are designed to recover the difference between the negotiated rate established hereunder and Horizon's cost-of-service recourse rates, as in effect from time to time; provided

Shipper shall pay, in addition to such rates, the ACA surcharge and any successor thereto plus any other future surcharges that are generally applied by interstate pipelines in the United States on a uniform basis.

- (k) Except as otherwise expressly provided in this Precedent Agreement, Horizon shall have the unilateral right to file and seek FERC approval under Section 4 of the Natural Gas Act, at any time and from time to time, to change the rates, charges or provisions set forth under Rate Schedule FT and the General Terms and Conditions of the FERC Gas Tariff applicable to the Horizon Pipeline, and Shipper shall have the right to participate in such proceedings and to protest such filings, provided neither Horizon nor Shipper shall seek to change the negotiated rates, as stated in Appendix A.

#### **6. Horizon's Conditions Precedent**

Horizon's obligation to enter into the Firm Transportation Service Agreement and to render the proposed service is expressly subject to the following conditions precedent; provided, however, that any such condition may be waived by Horizon in its sole discretion. In the absence of any or all of these conditions precedent being met, Horizon shall have no obligation to proceed with the Horizon Pipeline project and shall incur no liability in the event it declines to proceed with the project:

- (a) The receipt and acceptance by Horizon of all authorizations necessary to construct and operate the Horizon Pipeline and to provide transportation service for Shipper under the Firm Transportation Service Agreement as contemplated in this Precedent Agreement. It is expressly understood that all such approvals shall be in a form and substance satisfactory to Horizon, in its sole discretion, and shall be final before the respective governmental authority and no longer subject to rehearing or appeal;
- (b) Receipt and acceptance by Horizon of a financial commitment or commitments from financial institutions and on terms acceptable to Horizon, in its sole discretion, to finance the construction of the Horizon Pipeline;
- (c) Receipt of an affirmative vote of the Management Committee of Horizon to construct the authorized Horizon Pipeline facilities; and
- (d) The maintenance by Shipper of its credit worthiness as measured by Section 13.1(a) of the General Terms and Conditions of Horizon's pro forma FERC Gas Tariff and the delivery of the necessary credit support and documentation to enable Horizon to obtain acceptable financing and equity commitments.

#### **7. Shipper's Right to Terminate Agreement**

- (a) If the FERC order approving construction of the Horizon Pipeline facilities and authorizing the transportation service contemplated herein materially and adversely modifies the transportation service and/or negotiated rates proposed by Horizon in this Precedent Agreement, its certificate application and any amendments thereto, Shipper shall have the right to terminate this Precedent Agreement (or any Firm Transportation Service Agreement executed hereunder) upon written notice to Horizon within ten (10) days of the issuance of the FERC order; provided, unless Horizon has elected, in writing, to proceed with construction and operation of the Horizon Pipeline, notwithstanding the fact that the FERC order is not final before the respective governmental authority and no longer subject to rehearing or appeal, Shipper shall have the right to terminate this Precedent Agreement (or any Firm Transportation Agreement executed hereunder) if a FERC order on rehearing or in response to a judicial decision materially and adversely modifies the transportation services and/or negotiated rates proposed by Horizon in this Precedent Agreement, its certificate application and any amendments thereto.
- (b) This Precedent Agreement is subject to the receipt by Shipper of any necessary approvals of its Board of Directors, Executive Committee, or other body with authority to approve this Precedent Agreement. If such body does not approve this Precedent Agreement, then Shipper may terminate this Precedent Agreement by written notice to Horizon no later than 5:00 pm CT on January 26,

2000. If Shipper does not provide such notice of termination by the time specified herein, or such other time mutually agreed to by the parties in writing, then the condition for approval on behalf of Shipper by the Board of Directors, Executive Committee or other body with authority to approve this Precedent Agreement shall be deemed to have been waived and/or satisfied.

- (c) This Precedent Agreement is subject to the receipt by Shipper of any necessary or desirable State Commission regulatory approvals to enter into a corresponding firm transportation agreement. If Shipper has filed for such approvals within sixty (60) days of the filing of Horizon's certificate application with the FERC, Shipper may terminate this Precedent Agreement and related Firm Transportation Service Agreement, by written notice to Horizon if such approvals have not been issued in a form satisfactory to Shipper, within thirteen months of the filing of Horizon's certificate application with the FERC. If Shipper has not filed an application for such approvals within such sixty (60) day period, then Shipper may terminate this Precedent Agreement and any related Firm Transportation Service Agreement, by written notice to Horizon, if by January 1, 2001, a State regulatory body with jurisdiction to issue such approvals has, in a proceeding initiated by such State regulatory body (either on its own motion or in response to a petition or complaint filed by a third-party), issued a written order or decision which denies Shipper approval of this Precedent Agreement and any related Firm Transportation Service Agreement, prohibits Shipper from proceeding hereunder, or limits Shipper's recovery of costs incurred pursuant to this Precedent Agreement and any related Firm Transportation Service Agreement. If Shipper does not provide such notice of termination within five (5) business days of each of the deadlines specified herein, or such other date mutually agreed to by the parties in writing, then the condition for receipt of necessary State regulatory approvals shall be deemed to have been waived and/or satisfied.
- (d) In the event Horizon does not file its application for a certificate of public convenience and necessity to construct and operate the Horizon Pipeline with the FERC by January 28, 2000, then Shipper may cancel this Precedent Agreement and any related Firm Transportation Service Agreement by written notice to Horizon no later than February 4, 2000, or such other date mutually agreed to by the parties in writing.
- (e) In the event the FERC does not issue, or Horizon does not accept, the certificate of public convenience and necessity required to construct and operate the Horizon Pipeline by November 1, 2001, then Shipper may cancel this Precedent Agreement and any related Firm Transportation Service Agreement by written notice delivered to Horizon by November 15, 2001, or such other date mutually agreed to by the Parties in writing.
- (f) In the event Horizon does not commence construction of the Horizon Pipeline by June 1, 2002, then Shipper may cancel this Precedent Agreement and any related Firm Transportation Service Agreement by written notice to Horizon no later than July 1, 2002, or such other date mutually agreed to by the parties in writing.
- (g) In the event that Horizon does not commence the firm transportation service contemplated herein by December 1, 2003, then Shipper may cancel this Precedent Agreement and any related Firm Transportation Service Agreement by written notice to Horizon no later than December 15, 2003, or such other date mutually agreed to by the parties in writing.
- (h) In the event Horizon files a FERC application, or at any time amends the FERC application, that reduces the Shipper's MDQ from that stated in Appendix A, then Shipper may cancel this Precedent Agreement and any related Firm Transportation Service Agreement by written notice to Horizon no later than ten (10) days after receiving notice of the reduced MDQ, or such other date mutually agreed to by the parties in writing.

The foregoing termination rights shall be the sole remedy available to Shipper in the event any of these milestones are not met.

**8. Comparable Rate Treatment with Other Shippers**

- (a) If, at any time up until the Horizon Pipeline is available for service, Horizon provides any shipper submitting a binding precedent or other agreement for firm transportation service with negotiated rates which are more favorable or differ from than those set forth in Appendix A hereof, Horizon shall so notify Shipper in writing. Upon receipt of such written notice, Shipper shall have ten (10) days to elect by written notice to Horizon to pay such different negotiated rates. If Shipper does not provide such notice within the ten (10) days specified herein, or such other date mutually agreed to by the parties in writing, then the Shipper shall be deemed to have not selected such different negotiated rates.
- (b) Without limiting Shipper's rights in Section 4(b) herein, if Horizon expands its capacity by a cumulative total of 100,000 Dth/d or more beyond the initial estimated design capacity of 380,000 Dth/d or extends its system into Wisconsin, and Horizon provides any shipper submitting a binding precedent or other agreement for firm transportation services that is substantially similar to the services described in Appendix A with initial negotiated rates which are more favorable or differ from those set forth in Appendix A, Horizon shall so notify Shipper in writing. Upon receipt of such written notice, Shipper shall have ten (10) days to elect by written notice to Horizon to pay such different negotiated rates. If Shipper does not provide such notice within the ten (10) days specified herein, or such other date mutually agreed to by the parties in writing, then the Shipper shall be deemed to have not selected such different negotiated rates.

**9. Modification and Amendment**

This Precedent Agreement may not be modified or amended unless the parties execute written agreements to that effect.

**10. Assignment**

Any company which succeeds by purchase, merger, or consolidation of title to the properties, substantially as an entirety, of Horizon, will be entitled to the rights and will be subject to the obligations of its predecessor in title under this Precedent Agreement. Shipper may assign this Precedent Agreement and any of the rights or obligations and any associated Firm Transportation Service Agreement to any wholly owned affiliate which satisfies the credit worthiness standards contained in Horizon's FERC Gas Tariff. Once the Horizon Pipeline is in-service, Shipper may release its capacity under the Firm Transportation Service Agreement pursuant to the terms of Horizon's FERC Gas Tariff without any loss of the benefit of negotiated rates agreed to hereunder. In the case of any proposed assignment of the Precedent Agreement or the Firm Transportation Service Agreement or the proposed permanent release of any capacity under the Firm Transportation Service Agreement, prior approval of Horizon's lenders may be required, which approval shall not be unreasonably withheld.

**11. Choice of Law**

As to all matters of construction and interpretation, this Precedent Agreement shall be interpreted, construed and governed by the laws of the State of Illinois, excluding any conflicts of law rule which would refer any matter to the laws of a jurisdiction other than the State of Illinois.

12. Notices

Any notice provided for in this Precedent Agreement, or any notice which either party desires to give to the other, must be in writing and will be considered duly delivered to the addressee personally or by courier, telecopier, registered mail or certified mail to the other party's address set below:

**IN THE CASE OF HORIZON:**

Horizon Pipeline Company, L.L.C.  
Mr. Scott E. Parker  
Vice President  
747 East 22<sup>nd</sup> Street  
Lombard, IL 60148-5072  
Phone: (630) 691-3689  
Fax: (630) 691-3630

**IN THE CASE OF SHIPPER:**

NICOR GAS COMPANY  
Attention: LONNIE W. UPSHAW  
1844 FERRY RD.  
NAPERVILLE IL 60563  
Phone: (630) 983-8767  
Fax: (630) 983-9885

Any notice delivered in a manner set out above shall be deemed to have been received by the addressee: (a) at the time of delivery if delivered personally or by courier; (b) at the time that transmission in full is confirmed by the sender if delivered by telecopier; or (c) on the third business day following posting if sent by registered mail or certified mail; provided however, that in the event of an interruption of normal telecopier, courier or mail service, the sender shall utilize any service which has not been interrupted or shall deliver any notice personally.

**IN WITNESS WHEREOF**, the parties hereto have caused this Precedent Agreement to be duly executed in several counterparts by their proper officers thereunto duly authorized as of the date first written above.

**ACCEPTED BY:**

Northern Illinois Gas Company, dba Nicor Gas

Per: *Lonnie W. Upshaw*  
Name: LONNIE W. UPSHAW  
Title: VICE PRESIDENT

Horizon Pipeline Company, L.L.C.

Per: *J.J. McElligott*  
Name: J.J. McElligott  
Title: Senior Vice President



## Appendix A

### Primary Receipt & Delivery Points

Notes:

- (1) All MDQs reflected below are subject to reduction in accordance with Section 5(d) of the Precedent Agreement.
- (2) All MDQ values are in Dekatherms
- (3) Shipper has access to all points within its path and firm rights to its requested receipt and delivery points.

#### Requested Primary Receipt Points/FT MDQ (exclusive of fuel and GLU quantities)

##### Illinois

NGPL / Will County	_____
Nicor / Will County	_____
ANR / Will County	_____
Alliance Pipeline / Channahon	300,000
* Other _____	_____

Total Receipts 300,000

#### Requested Primary Delivery Points FT MDQ

##### Illinois

Nicor Gas / McHenry	200,000
(to be located at the generally most northern point where Horizon and a Nicor Gas main transmission line cross)	
NGPL / McHenry	100,000
* Other _____	_____

Total Deliveries 300,000

Term Ten (10) yrs. (10 or 15 years)

Horizon anticipates, under normal operating conditions, providing a delivery pressure of 470 psig at the Nicor Gas/McHenry delivery point.

#### Rate Option:

10 year term Negotiated Rate:   x   \$0.0947 Illinois Primary Delivery Points

\* = Additional receipt and/or delivery points will be installed as agreed upon between Horizon and Shipper.



Pipeline Company, L.L.C.

747 E. 22<sup>nd</sup> Street  
Lombard IL 60148-5072  
Phone: 630-691-3000

April 3, 2000

Mr. Len Gilmore  
Manager, Pipeline Regulations  
Nicor Gas  
1844 Ferry Road  
Naperville, IL 60563

Dear Mr. Gilmore,

Nicor Gas ("Shipper") signed a Precedent Agreement ("PA") dated January 19, 2000 with respect to firm transportation service on Horizon Pipeline Company's proposed new project. Due to the delayed filing of this project at the FERC, the following revisions to the Nicor Gas PA are suggested.

- Section 7.(e) of the PA stated November 1, 2001 as a contemplated acceptance of a FERC certificate by Horizon and November 15, 2001 as the date by which Shipper could terminate the PA, if Horizon had not accepted a certificate by that date. These dates should be changed to September 1, 2001 and September 15, 2001 respectively.
- Section 7.(f) of the PA stated June 1, 2002 as a contemplated date to commence construction of Horizon and July 1, 2002 as the date by which Shipper could terminate the PA, if Horizon had not accepted commenced construction by that date. These dates should be changed to January 1, 2002 and January 15, 2002 respectively.
- Section 7.(g) of the PA stated December 1, 2003 as a contemplated commencement of firm transportation service by Horizon and December 15, 2003 as the date by which Shipper could terminate the PA, if Horizon had not commenced firm transportation service by that date. These dates should be changed to April 1, 2003 and April 15, 2003 respectively.
- Section 8 (a) & (b) of the PA provide Shipper 10 days to respond to a notice of any other shipper on Horizon receiving differing or more favorable negotiated rates. Shipper is given the option of electing that same set of negotiated rates. The response period should be extended to 30 days, rather than 10 days.

Your signature in the space provided below will indicate Nicor Gas' agreement to the changes in the above dates and response times.

Sincerely,



James J. McElligott  
Senior Vice President  
Horizon Pipeline Company, L.L.C.

Agreed, as of the date  
first written above

Nicor Gas

Name: Y M Guilmore

Title: Manager, Pipeline Regulation

